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# **MEDICARE-ELIGIBLE RETIREE HEALTH CARE FUND (MERHCF)**

**Presented to:**

**Data Quality Management  
Conference**



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# MERHCF Defined



- Established by Congress (2001 NDAA) to provide **mandatory** funding for a health care entitlement (*Title 10, Subtitle A, Part II, Chapter 56, United States Code*)
- Covers certain Medicare-eligible DoD beneficiaries (*military retirees, retiree family members and survivors - not simply "over-65s"*)
- Pays for MTF care, purchased care and pharmacy
- Recognizes DoD's accrued and future liability for cost of retiree/survivor health care for military service members and their family members
- The DoD MERHCF Board of Actuaries determines funding requirements based on actuarial analyses and assumptions, including population characteristics such as:

- Rates of retention to retirement eligibility, tendency to remain on active duty beyond retirement eligibility, life expectancy, family size, age-related demand for health care, etc.

**Implemented 1 October 2002**



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# ***TFL/TSRx ≠ MERHCF***



**TRICARE for Life (TFL) - Age 65 or over, Medicare eligible, enrolled in Part B, not Active Duty**

**TRICARE Senior Pharmacy (TSRx) - Age 65 or over, Medicare eligible, enrolled in Part B (unless age 65 or older as of 1 April 2001), not Active Duty**

**MERHCF - Medicare eligible retirees, retiree family members and survivors *only*, regardless of age or Part B enrollment status**

**Other key differences include:**

**MERHCF pays for Military Treatment Facility (MTF) care; TFL/TSRx do not**



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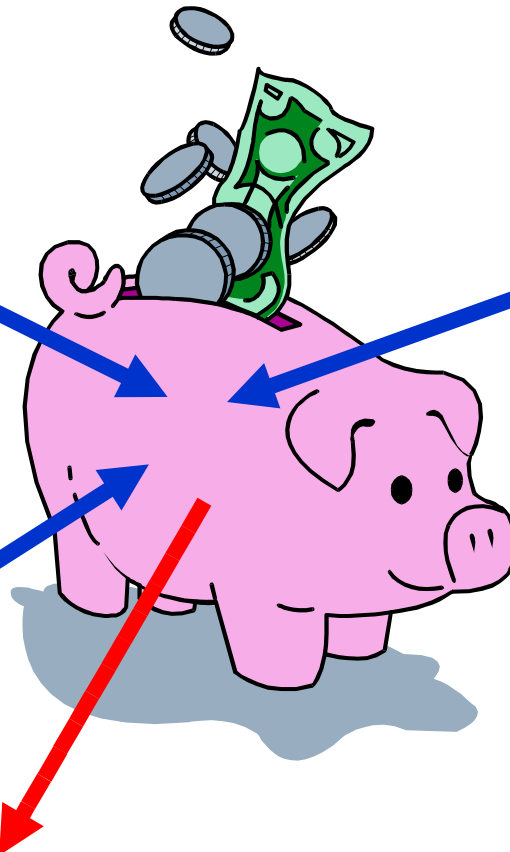
# ***MERHCF Revenue Sources***



**Dept of Treasury  
actuarial liability -  
\$516.5B  
amortized over 50  
years (\$12.9B)  
FY08**

**Accrual  
fund  
investmen  
t earnings**

**Annual DoD actuarial  
“Normal Cost”  
contribution  
(\$11.2B FY08)**



***FY08 Estimated  
Outlays \$8.3B***



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# ***Normal Cost Contribution***

***Paid by Treasury on behalf  
of Service MILPERS  
accounts***

**FY08 per capita rates:**

- **Full time \$499 per month (\$5,988 annually)**
- **Part time \$287 per month (\$3,441 annually)**

**Multiplied by annual budgeted Service end strength**

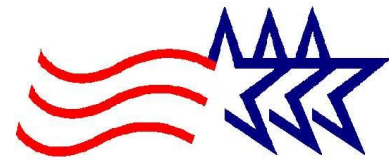
***FY08 actual total DoD contribution - \$11.2B***

**Pays for future health care costs of current military personnel once they retire and they and their family members/survivors become**



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# Purchased Care



TRICARE Management Activity  
Resource Management Directorate

**TRICARE for Life\*** - Medicare primary payor, TRICARE supplemental (last) payor (*must be enrolled in Medicare Part B*) plus TRICARE unique benefits (*OCONUS purchased care*)

**Managed Care Support (MCS) Contracts\*** - network at-risk costs (*under 65 Medicare eligibles - must be enrolled in Part B*)

**TRICARE Senior Pharmacy\*** - retail, TMOP costs (*must be enrolled in Part B, unless "grandfathered" - age 65 or older as of 1 April 2001*)

**US Funds flow:** Daily transactions enrollees x capitation rate against accrual fund for

**Simultaneous  
us**

Reconciliation 6



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# *Direct (MTF) Care*



TRICARE Management Activity  
Resource Management Directorate

**Inpatient Care** - Relative Weighted Products (RWPs) x MTF-specific rate  
*(Medical Expense and Performance Reporting System (MEPRS) cost/RWP)*

**Outpatient Care** - Ambulatory Patient Group (APG) weights x MTF-specific rate  
*(MEPRS cost/APG weight)*

**Outpatient Pharmacy** - “Ingredient cost” -  
*purchase costs from MEPRS; patient-specific workload from Pharmacy Data Transaction Service (PDTS)*

“Non-ingredient cost” - MTF-specific  
MI ***Move to per capita rate***



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# ***MTF Funds Flow***



**Prospective/interim annual payment at beginning of FY (distributed quarterly)**

**Defense Health Program O&M**

***Fund > USD(C) > TMA > Services > MTFs***

**MILPERS**

***Fund > Treasury Appropriation > Services***

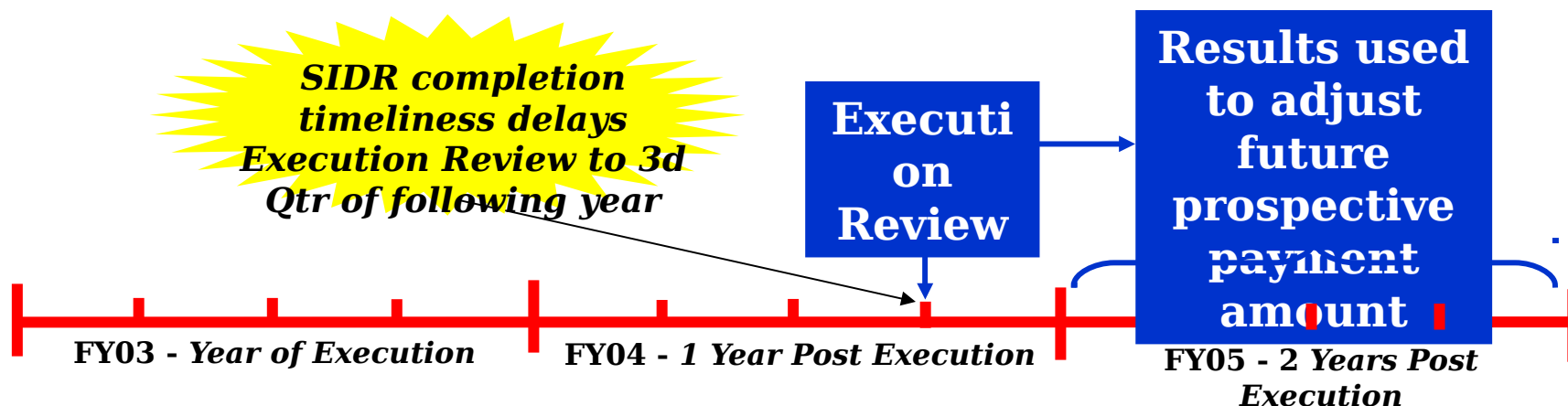


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# MTF Reconciliation



## *The plan...*



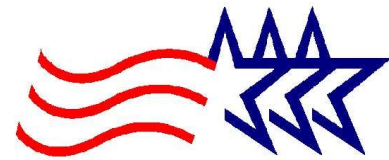
**Use results of the Execution Review to adjust prospective payment amounts in the next available budget year under the PPBS cycle; do not transfer money to or from the fund based on execution year under/over execution**

***Provides stable business***



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# *Management Controls*



TRICARE Management Activity  
Resource Management Directorate

- **Center for Medicare and Medicaid Services (CMS) Medicare eligibility data merged with Defense Enrollment Eligibility Reporting System (DEERS) *(system change request (SCR) added Medicare eligibility to Standard Inpatient Data Record (SIDR) and Standard Ambulatory Data Record (SADR))***
- **MTF earnings calculations automated based on SIDR/SADR weighted workload reported in MHS Data Repository (MDR); final results subject to Service and TMA review at reconciliation**